Summary of the Proceedings

University of Minnesota Hospitals and Clinics

Board of Governors

Annual Retreat

July 23-24, 1980
Minnesuing Acres Conference Center

RETREAT PARTICIPANTS

Mr. Harry Atwood
Board Member
Planning & Development
Committee Chairman

Ms. Jo-Anne Barr
Board Member

Mr. Leonard Bienias
Board Member

Ms. Dionisa Coates
Board Member

Mr. David Cost
Board Member
Finance Committee Chairman

Mr. John Diehl
Hospital Attorney

Mr. David Domaas
Board Member

Dr. Thomas Ferris
Professor & Chairman
Department of Medicine

Dr. William Flexner
Assistant Professor
Center for Health
Services Research

Ms. Johnelle Foley (Staff)
Executive Assistant
to the Board

Dr. Elwin Fraley
Professor & Chairman
Department of Urology

Mr. Alfred France
Board Member

Dr. Lyle French
Vice President
for Health Sciences

Dr. Eugene Gedgaudas
Professor & Chairman
Department of Radiology

Ms. Jeanne Givens
Board Member

Ms. Debbie Gruye
Board Member

Mr. Albert Hanser
Board Member
Chairman, Board of Governors

Mr. Tom Jones (Staff)
Hospitals' Associate Director

Ms. Fannie Kakela
Board Member

Dr. John Kralewski
Director
Center for Health
Services Research

Dr. William Krivit
Professor & Head
Department of Pediatrics

Ms. Mary Lebedoff
Board Member

Dr. Seymour Levitt
Professor & Head
Department of Therapeutic Radiology

Mr. John Mason
Board Member

Mr. Virgil Moline
Board Member

Ms. Sally Pillsbury
Board Member
Joint Conference Commitee Chairman
& Vice Chairman of Board

Mr. David Preston
Associate Vice President
for Health Sciences

Dr. Paul Quie
Board Member
Chief of Staff

Mr. John Quistgard
Board Member

Ms. Margaret Sandberg
Board Member

Mr. Tom Smith
Director
Yale-New Haven Hospital

Ms. Shirley Sudduth (Staff)
Secretary to the Board

Dr. John Tiede
Board Member

Ms. Timothy Vann
Board Member

Mr. John Westerman
Board Member
& General Director of Hospitals

Dr. Paul Winchell
Board Member

"University Hospitals and Clinics in the 80's"
Wednesday, July 23, 1980

Welcome - Mr. Al Hanser, Board Chairman

Chairman Hanser welcomed the participants to the Fifth Annual Board Retreat. He noted that as a result of the previous year's Retreat, the Board's Executive Committee had been charged with an examination of strategic options for the future growth of University Hospitals and Clinics. He explained that to aid them in this review, the Executive Committee had secured the services of the University's Health Services Research Center. He thanked Dr. John Kralewski, Director of the Center; Dr. William Flexner, Assistant Professor and researcher assigned to the study; and Mr. Tom Jones, Hospitals' Associate Director and staff to the Executive Committee, for their diligent efforts in preparation of the strategic options study. Further, he mentioned that the Executive Committee had consulted during the past year with certain noted individuals in the health care field such as Dr. Paul Elwood, Director of Interstudy and Mr. Richard Epstein, Group Vice President and Senior General Counsel to the American Hospital Association. Chairman Hanser also commented on the unique composition of this year's Retreat group indicating that Clinical Chief involvement had been increased to enhance Medical Staff participation in policy-making and direction setting. He stated that he hoped that the discussions of the next two days would result in three or four charges to management which would aid in shaping and preparing University Hospitals and Clinics for the future.

Introductory Remarks - Mr. John Westerman, Hospitals' General Director

Mr. Westerman reminded the participants that when the Board of Governors was appointed in January of 1975, the primary objective was to bring together a group of skilled decision-makers to aid the Hospitals' in developing its services to meet community needs. He reflected that in the first two years of its existence, the Board had spent time in orientation and education regarding many matters which

had already been set in motion. In its third year, the Board of Governors carefully scrutinized the mission of the Hospitals and developed a clear and concise Statement of Mission and Goals. In its fourth year, the Board studied trend lines and in particular, threats from the environment which could potentially deter the Hospitals from achieving its mission. This year, Mr. Westerman stated that the Board was concentrating on a plan to begin to overcome these threats now, so that the future of University Hospitals can and will be a viable one.

Mr. Westerman commented on the process which would be used in the next two days noting first that four small groups would be charged with an examination of University Hospitals' strengths, weaknesses, opportunities, and threats. From this review would evolve conclusions regarding possible future occurances for University Hospitals and from these conclusions, if change is suggested, directions to management could be given to ensure future success for the institution. He commented that staff was excited about the guidance which would hopefully be obtained from this endeavor as they saw the present as a turning point for the institution. As Mr. Westerman stated, no action could be taken and University Hospitals could survive for the short-term or something could be done and University Hositals will exist as something better in the long-term. Mr. Westerman stressed that today the luxury of time exists to plan rationally and set priorities for the future.

Framework for the Strategic Options Study - Mr. Tom Jones, Senior Associate Director

Mr. Jones explained that there were primarily three elements which stimulated the undertaking of the strategic options study. The first was the charge to the Executive Committee at the previous year's Retreat. The second was the resulting suggestion from the MAPTH study that each institution review its individual potential. The third was a growing sense of need for a careful examination of University Hospitals and Clinics as it functions in the marketplace. Like other health care institutions, University Hospitals does compete for patients.

Mr. Jones stated that the study concentrated on patient flow. He noted that while the study outcome was essentially inconclusive, some worrisome trends were identified. He listed these trends as a stable or slightly declining patient volume, reimbursement limits, inflation, changing patient mix and the future impact of substantial debt retirement. He concluded that while the study points to possible difficult times ahead, it does so now, in time to deal with and prepare for the future.

Framework for Board Consideration of the Study - Mr. Tom Smith, Director, Yale-New Haven Hospital

Mr. Smith stated that he wished to suggest certain criteria by which the Board could measure the appropriateness of its plans for the future. He listed the following:

1. that future plans for University Hospitals be in concert with directions set by the local Health Systems Agency.
2. that the course which is set for the future of the institution be one in which all can be comfortable.
3. that future objectives which are established take into consideration the concerns of those the Hospitals serves.
4. that alternative plans be established so that they may be called into play should the environment change.
5. that the financial feasibility of future plans be carefully considered.
6. that the directions and plans of other health care institutions be taken into account.
7. that the availability of resources needed to accomplish future goals be well studied.
8. that regional needs as well as local needs be included in setting directions.

Mr. Smith emphasized the importance of ensuring that services provided are appropriate and effective and suggested methods of measurement such as acceptability, accessibility, and cost effectiveness. He also stressed the importance of the trustees' repsonsibility to the public they represent. The responsibility to see that there is a match between institutional goals and society's needs.

With regard to planning processes, Mr. Smith noted that while essential and valuable, certain planning techniques could create stumbling blocks to future growth. He referenced Mr. Fred Jarvis of the Center for Institutional Change and stated that there must be concensus as to where leadership wants its institution to go. In other words, there should be planning toward a desired outcome. He cautioned that too much emphasis on present and past occurrences is planning from and can cause a group to concentrate its efforts only on why future desires cannot be accomplished. He

suggested that planning toward forces accomplishments and he proposed that the following three questions, once answered, could be keys in determining the degree of success in accomplishing future outcomes:

1. If your plan was achieved, what would you be doing right now?
2. If your plan was successful, how would you know?
3. If your plan was to make a difference, what results would it provide for your various constituent groups?

Objectives of the Study, Findings and Conclusions - Dr. John Kralewski, Director, Health Services Research Center

Dr. Kralewski thanked the Board for the opportunity to conduct the study and thanked Dr. William Flexner for his excellent work on the study. He explained that the study's focus was to create a better understanding of the patient population served by University Hospitals and Clinics and of the environment in which University Hospitals and Clinics operates. He stated that time constraints limited the study to the use of presently available data sources and suggested that additional primary data development would be a logical next step.

Dr. William Flexner, Assistant Professor

Dr. Flexner began his remarks by pointing out that the health care field is rapidly beginning to embrace a marketing orientation. He explained this approach as being one in which the hospital works to match its capabilities and resources with the needs and references of its consumers - patient and physicians. He stated that in the past, consumer in-put was not included in the planning process but today, with oversupplies in beds and physicians, hospitals are realizing the importance of understanding the marketplace and consumer needs. The business approach or market planning process is being adopted with examination of consumer segments coming first, then mission setting, implementation, and evaluation. He indicated that this approach allows hospitals to get out of just the bed business and to go beyond and consider other opportunities.

Dr. Flexner then reviewed an evolution of strategic planning as outlined in a recent Harvard Business Review article. He indicated that in Phase I there is Basic Financial Planning, the purpose of which is to operate and control with the resulting value of meeting the budget. Phase II is Forecast Based Planning for growth with

the value being the ability to predict the future. Phase III is Externally Oriented Planning or situation analysis and competitive assessment planning with a value system of strategic thinking. Phase IV is Strategic Management Planning with its purpose being to orchestrate all resources to create a competitive advantage. Dr. Flexner stated that this is the highest development stage of planning in that the organization creates its own future. He suggested that University Hospitals and Clinics is currently between Phase II and III in its planning endeavors and added that the phases are evolutionary and cannot be skipped.

Dr. Flexner then reviewed the findings and conclusions of the Report of the Strategic Options Study as presented in the 1980 Retreat Briefing Book. He discussed the sources of data utilized for the study, the identified patient and product line trends, the threats and strengths of the institution as assumed from an analysis of the environment, and three growth projections as suggested by identified trends.

Summary - Dr. John Kralewski

Dr. Kralewski reiterated the purpose, constraints, and accomplishments of the study. He commented that developmental work being done with Diagnostic-Related Groupings may, in the future, lead to an even better understanding of case mix and acuity and eventually tie in capabilities in forecasting costs and revenues. Dr. Kralewski then highlighted four key forces which are currently coming together with potentially serious affects:

1. For University Hospitals and Clinics the pool of patient days is stabilizing or perhaps decreasing. We are learning that the Hospital is being used in a different way.
2. In the community, because of the excess in beds, there is more competition for patient days. Other hospitals are aggressively going after patient populations and HMO's are becoming an increasing threat.
3. The cost of providing services continues to increase very rapidly.
4. Third party payors are cutting back on their reimbursement levels and are more carefully considering what they are willing to pay for.

Questions & Comments about the Study - ALL

- Discussion initially centered around Dr. Flexner's presentation of the four phases of planning and whether or not phases could be approached simultaneously. The importance of understanding the external environment before attempting to create the future was again stressed.

- The competitive atmosphere as a key issue was also discussed especially as it pertained to influencing physicians to use certain facilities. The fact that physicians are drawn to University Hospitals because of the opportunities to do teaching and research was pointed out.

- Seeking funds from the State or through fund-raising endeavors to enhance service, teaching, and research was also considered. Diversification was suggested as a necessary consideration in terms of developing alternative sources of revenue.

- The "wellness" approach to health care was brought up as a possible alternative health care delivery endeavor. Activities with a wellness orientation already underway throughout the Health Sciences were identified.

- The Hospitals and Clinics association with the Health Sciences and the University was considered in terms of any impacts that association might have on accomplishing mission. Suggestions were made that there exists a need to better understand and study those impacts in such areas as educational costs.

- Emphasis was suggested in first focusing on what you want University Hospitals and Clinics to be and then determining what needs to be overcome to get to that position.

Discussion Group Sessions

At this point the Retreat participants broke into four groups to consider the following topic areas with the following group leaders:

Topic Areas	Group Leaders
Strengths	Dr. Elwin Fraley
Weaknesses	Mr. Tom Jones
Opportunities	Mr. John Westerman
Threats	Mr. Harry Atwood

Thursday, July 24, 1980 - Major Conclusions from Group Reports

Strengths - Dr. Elwin Fraley

- agreement with those strengths identified by Dr. Flexner in the Strategic Options Study
- the quality of the medical, professional, and management staffs
- the outstanding national and international reputation of the institution
- the organization in terms of quality of managers and uniqueness of governance structure
- the special nature of the local community and University environment with its acceptance of innovation
- the fact that University Hospitals & Clinics is the designated State medical center with a history and acceptance as such
- the unique qualities and distinctive attributes which are a part of some of the special programs available at University Hospitals & Clinics
- the existence within an atmosphere where new knowledge can be created through research and exploration.

Weaknesses - Mr. Tom Jones

- the cost of service
    - the high per diem rate
    - the difficulties of community comparability
    - the costs associated with education
    - third party payors reluctance to reimburse for certain services
    - Federal caps on health care spending
    - the financing of the Renewal Project
    - the lack of philantropic support
- the physical facility
    - problems with accessibility on campus
    - limited parking
    - few overnight facilities for family members
    - the age of the buildings
    - the appearance of clutter, etc., due to lack of storage
- deficiencies in governance and management
    - the lack of effective delegation of authority
    - the lack of definition of responsibility
    - the inability to respond quickly
- limitations on the product-line
    - the lack of public understanding
    - insufficient outreach activities
    - negative incentives for Medical Staff to provide service

- departmentalization of programs
- the need for tighter medical management
- the closed Medical Staff
- the inability to retain certain physicians and their programs of clinical service

Opportunities - Mr. John Westerman

- to address clear and present community needs
- to build on exposure granted through publicizing the Renewal Project
- to exploit the University relationship to the benefit of both parties
- to improve liaison relationships with other groups both internal to the University and external.
- to build a tertiary referral network through agressive marketing
- to attract gifted individuals such as students, researchers, physicians, and other health care professions.
- to study new approaches to health care delivery and create model programs for controlled evaluation.
- to generate revenue to accomplish the Hosptials' mission

Threats - Mr. Harry Atwood

- an evaluation of those threats identified by Dr. Flexner in the Strategic Options study
  - most serious
    - the competition from other health care institutions for patients
    - the high costs associated with providing health care
    - the influence of the development of HMO's on patient trends

- less serious
  - the problems associated with the current old facility
  - the geo-psychological barriers such as accessibility, parking, appearance, etc.
- other threats
  - the nursing shortage
  - the management of the Operating Rooms
  - the status quo tendancies of management
  - the difficulties of contending with complicated regulations
  - the reluctance of third party payors to reimburse for certian services
  - the Renewal Project if not handled properly
  - the reducing demand for services

Analysis of Group Conclusions - Mr. Tom Smith

Mr. Smith focused on the meaning of what had been revealed through the group discussions. First, he indicated that there appears to be general agreement as to the principle issues facing University Hospitals and Clinics. Second, he commented that the conclusions seemed to indicate that a status quo position would not be preserved as strenghts were worth preserving, weaknesses could be overcome, opportunities do exist, and thus, the threats should be addressed. He then suggested that the Board consider the following three action plans as possible ways to address the need for change as identified through the analysis of strengths, weaknesses, opportunities and threats:

I. Competitive Marketing Strategy Plan

This portion of the strategic plan has five components. In essence, the plan calls for enhancing what has been the major mission of

University Hospitals and Clinics, while at the same time taking advantage of certain community needs with new programs. The competitive marketing strategy plan:

(1) Builds on the acknowledged strengths of the organization;

(2) Envisions the renewal project as a major portion of a plan for adequate and effective facilities;

(3) Outlines specific programs to:
   (a) enhance the referral patterns;
   (b) provide new ventures with alternative delivery patterns

(4) Develops a program of incentives for new programs and evaluating existing programs.

(5) Carries a critical examination of the existing product line and includes recommendations of potential trade-offs for mission enhancement.

II. Fiscal Strategy Plan

This plan when developed is based on the assumption that the next decade in health delivery development will rest in large measure on the ability of an organization to accumulate capital. The opportunities for new ventures will go to those organizations that have positioned themselves to anticipate change and have the capability of mounting a rapid response. There are three major elements in this section. A Fiscal Strategy Plan includes:

(1) A review of pricing priorities in line with pre-determined objectives, one of which is the immediate implementation of a cost-charge alignment.

(2) The development of alternative revenue sources (e.g. marketing services/non-patient revenue/fund raising).

(3) The definition of the financial consequences of current organizational arrangements and a further definition of alternative solutions.

III. Organization Strategy

It is understood that this section is only viewed as a means to accomplishing marketing and fiscal strategies. It is also an area that can generate a great deal of emotion over equally effective alternative proposals. Thus, this plan is careful to delineate the functions required to implement the strategy plan and addresses areas of consideration in developing the organization form around functions. Organizational forms are used to illustrate the action desired. The organizational strategic plan has three main functions that include:

(1) The development of options to enhance governance-management effectiveness.

(2) Devising programs to enhance the public image.

(3) An examination of ways to maximize the University relationship.

Action Plans Considered - ALL

- Discussion ensued as to whether the three plans could be prioritized. Indications were that marketing and fiscal strategies would precede organizational strategies as the latter would be a means to accomplish the former two.

- The quality of the Medical Staff was emphasized and the importance of a modern facility in which they can work was stressed. Fund-raising was again brought up as an assist to securing the Renewal Project. Caution was suggested in terms of the difficulites in launching fund-raising campaigns.

- Concerns were raised with regard to adequate parking and motel facilities for patients and visitors to University Hospitals and Clinics. Questions were put forth regarding Regents' support for improvements in these areas.

- Compliments were given to Administration on the fine work being done to promote the Renewal Project and to ensure that the facility is efficiently and effectively designed.

- The importance of programmatic planning was also stressed especially as it relates to enhancing referral patterns through improved physician -to-physician communication.

- Specific directives were suggested such as creating incentives for new program development, an improved directory of services, a single patient referral phone number, an internal referral letter policy, a patient solicitation movement through medical societies, and a fostering of medical school alumni relationships.

- Questions were raised regarding processes to phase out unproductive programs and to improve product lines.

- It was suggested that the previous discussion really revolved around the Renewal Project and leadership's ability to develop the programs to make it possible to pay for the Project.

Reaction and Summary - Mr. John Westerman

Mr. Westerman stated that the three action plans proposed by Mr. Tom Smith were very much what management was looking for in terms of directions. He noted that the three plans will be carefully studied in the next 30 days in order to make assignments and set time lines. He suggested that, once approved by the Governors, the plans could be taken forward to the Board of Regents in the Fall when Chairman Hanser makes his annual report.

Mr. Westerman then noted that three tests were suggested by Mr. Smith to measure the effectiveness of the Board of Governors' Action Plan. He reviewed those questions and applied them to the proposed strategies as follows:

I. If we had achieved this plan, what would we be doing now that would be different?

   A. The Board would spend less time hearing routine reports from the medical staff (joint conference committee), finance and planning functions and would be spending more time on:

      1. The implementation of a strategic plan to acquire, manage, and contract with health and health related programs to generate revenue in support of the education-research mission.

There would be less dependence on increased patient fees or legislative support as the sources of new revenue. The Board of Governors would spend more time on opportunistic revenue generation.

B. The second change is that the Board would spend more time on the implementation of the competitive-marketing strategy. This might occur through a whole host of diversification measures within the mission of University Hospitals and Clinics. These measures may include operation of a model long-term care facility, a hospice, a wellness center; selling services in diagnostic areas, technology evaluation, quality of care methods, and utilization of diagnostic related groupings. Other agreements could be made with HMO's, multi-hospital systems, and other providers.

C. The Board would be examining the policy and programs to enhance the tertiary referral efforts. Attention would be given to marketing techniques, particularly in the multi-hospital and rural care area. Investigation findings would be translated to patient care protocols which in turn could be turned over to other providers on an organized basis.

D. The Board would be spending time on the development of a ten-year capital accumulation plan.

Specific programs from these activities may include the creation of a capital incentive fund for new programs, the marketing of a directory of services, creation of a single patient referral office, internal evaluation of referral practices, and a planned program to develop closer ties with the practicing community.

II. If this action plan succeeded, how would the Board of Governors know it?

A. The renewal project would be easily managed.

B. There would be an increment of revenue from non-legislative, non-inpatient sources.

C. There would be evidence of how the new plans met community needs.

D. The professional staff would develop further breadth and depth in a number of diverse areas.

E. The major function of the creation of knowledge would be enhanced.

F. The action plan would better fulfill the University Hospitals and Clinics mission.

G. The Board and management would develop new skills and spend their time in a different manner.

III. If the plan makes a difference, what are the results for the constituents?

A. Medical Staff -- would have a broader range of patients for teaching and would benefit from the application of increased subsidy.

B. Students -- would have more and diverse educational opportunities in a university-controlled setting.

C. Other Health Science Units -- would find opportunities for students and staff in an innovative, collaborative environment that would better serve the academic missions.

D. Community -- Unmet programmatic needs would be met in a manner that would afford University Hosptials & Clinics greater understanding and more visibility.

E. Employees -- would have more employment opportunities in a stronger, healthier organization.

F. Board of Regents -- would work on a permanent basis with the University Hospitals & Clinics with more confidence in the outcomes and with appropriate control to ensure the achievements of the academic mission.

Directions for Management - Chairman Al Hanser

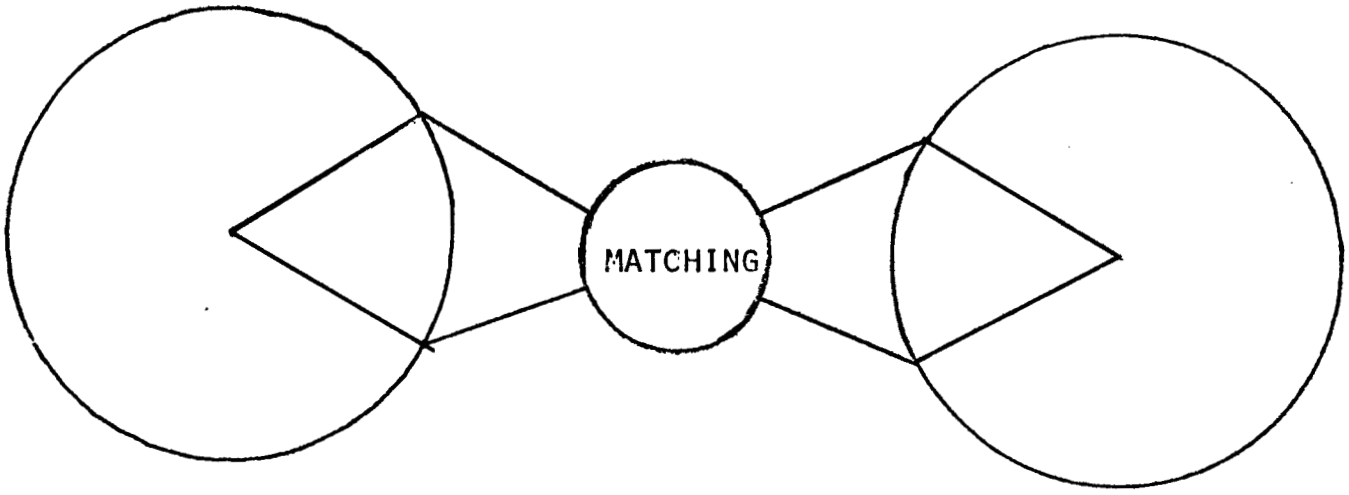
Chairman Hanser thanked the Retreat participants for their diligent efforts over the last two days. He stated that significant issues were raised but added that throughout the discussions, no doubts were ever expressed regarding the many strengths of University Hospitals and Clinics. He commended those present for their willingness to change the status quo in order to preserve the strengths of the institution and to enhance those strengths for the good of the public served. He commented on his appreciation for the Medical Staff involvement in the discussions. He then recommended that Mr. Westerman be directed to take the three action plans proposed by Mr. Smith and prepare in one month a draft report indicating implementation strategies and timetables for the plans.

In concluding, Chairman Hanser expressed his appreciation to all those reponsible for making the Fifth Annual Retreat of the Board of Governors another successful endeavor.

ATTACHMENT

(The following pages are reproductions of the slides used by Dr. William Flexner in his presentation.)

THE MARKETING CONCEPT



HEALTH ORGANIZATIONS

- CAPABILITIES
- RESOURCES

CONSUMERS

- NEEDS
- PREFERENCES

SOURCE: WILLIAM A. FLEXNER

WHAT IS A MARKETING PROCESS?

TYPICAL HEALTH PLANNING PROCESS:

GOALS & OBJECTIVES

↘

STRATEGIES

↘

IMPLEMENTATION (WITH CONSUMERS)

↘

EVALUATION

MARKETING PLANNING PROCESS:

CONSUMERS: HOW DO THEY OPERATE

↘

STRATEGY: WHICH CONSUMERS TO LOOK AT

- SEGMENTS
- DEMAND ANALYSIS

↘

CORPORATE (PROGRAM) PLANS: MISSION
GOALS
OBJECTIVES

↘

IMPLEMENTATION: PRODUCT
PRICE
PROMOTION
PLACE

↘

EVALUATION

SOURCE: WILLIAM A. FLEXNER

EVOLUTION OF STRATEGIC PLANNING

PHASE I -- BASIC FINANCIAL PLANNING

PURPOSE: OPERATIONAL CONTROL

VALUE SYSTEM: MEET THE BUDGET

PHASE II -- FORECAST-BASED PLANNING

PURPOSE: MORE EFFECTIVE PLANNING FOR GROWTH

VALUE SYSTEM: PREDICT THE FUTURE

PHASE III -- EXTERNALLY ORIENTED PLANNING

PURPOSE: INCREASING RESPONSE TO MARKETS AND COMPETITION

VALUE SYSTEM: THINK STRATEGICALLY

PHASE IV -- STRATEGIC MANAGEMENT

PURPOSE: ORCHESTRATION OF ALL RESOURCES TO CREATE COMPETITIVE ADVANTAGE

VALUE SYSTEM: CREATE THE FUTURE

SOURCE: GLUCK ET AL., "STRATEGIC MANAGEMENT FOR COMPETITIVE ADVANTAGE," HARVARD BUSINESS REVIEW, JULY-AUGUST 1980 P. 157.

1976/77 to 1979/80
UPH&C TRENDS IN ADMISSIONS AND PATIENT DAYS

OVERALL TRENDS: 4% DECLINE IN ADMISSIONS; 1.2% DECLINE IN PAT. DAYS
AVERAGE LENGTH OF STAY INCREASING

3% INCREASE ADMISSIONS
2% DECLINE PAT. DAYS

EACH SERVICE REPRESENTS 5-7% OF TOTAL ADMISSIONS

GYNECOLOGY
OBSTETRICS
NEUROLOGY
NEUROSURGERY
ORTHOPEDICS
OPHTHALMOLOGY
OTOLARYNGOLOGY
UROLOGY
PEDS. NEW BORN
44%

5%

SURGERY
MEDICINE
PEDIATRICS
49%

11% DECLINE ADMISSIONS
6% DECLINE PAT. DAYS

EACH SERVICE REPRESENTS 15% OF TOTAL ADMISSIONS

FAMILY PRACTICE
DERMATOLOGY
DENTISTRY
PSYCHIATRY (AD/CH)
PM&R (AD/CH)

9% INCREASE ADMISSIONS
11% INCREASE PAT. DAYS

EACH SERVICE REPRESENTS LESS THAN 2% OF TOTAL ADMISSIONS

UMH&C STRENGTHS

- MAJOR STRENGTH IS IN HIGHLY SPECIALIZED CARE MARKET, DUE TO
  - --STRONG SUB-SPECIALTY CLINICIANS
  - --STRONG TEACHING/RESEARCH ORIENTATION
- QUALITY AND TECHNOLOGY IMAGE OF UMH&C IS STRONG
- MEDICAL STAFF SIZE IS STABLE, WITH NO MAJOR DEPARTURES
- GRADUATE EDUCATION PROGRAMS STRONG AND STABLE
- MOST SERVICES HAVE SOME DISTINCTIVE/UNIQUE CAPABILITIES

THREATS TO UMH&C

- INSTITUTIONAL CAPACITY
  - -- OPERATING ROOM ROADBLOCK: (1) INSUFFICIENT # OPERATING ROOMS
    (2) INADEQUATE # NURSES
  - -- NURSING SHORTAGE AT UMH&C AND COMMUNITY-WIDE
  - -- RAPID MANAGEMENT RESPONSES IN AREA OF PERSONNEL DIFFICULT

- METROPOLITAN/NON-METROPOLITAN HOSPITAL COMPETITION
  - -- OTHER HOSPITALS DEVELOPING STRONG SUBSPECIALTY CAPABILITY
  - -- COMPETITION AT ALL LEVELS OF CARE
  - -- OTHER HOSPITALS ATTRACTING GRADUATES OF UMH&C RESIDENCY PROGS.
  - -- OTHER HOSPITALS ABLE TO DELIVER SAME SERVICE AT LOWER PRICE

- PRICE SENSITIVITY CAUSED BY:
  - -- CONSUMER/PHYSICIAN COST CONSCIOUSNESS

- UMH&C'S PRICING STRUCTURE
  - -- NOT FLEXIBLE TO RESPOND TO EXTERNAL COMPETITION
  - -- PRICING DECISIONS IN PAST HAVE BEEN BASED ON INTERNALLY DERIVED CRITERIA
  - -- DIRECT/INDIRECT EDUCATION COSTS INCLUDED IN HOSPITAL PRICES

THREATS TO UMH&C (CONT'D.)

.. HEALTH MAINTENANCE ORGANIZATIONS

-- INCREASING PENETRATION: (1) DRAWING AWAY NEW/FORMER PATIENTS

(2) DECREASING REFERRALS DUE TO COSTS

.. GEO-PSYCHOLOGICAL BARRIERS

-- ACCESSIBILITY: (1) LOCATION ON CAMPUS

(2) INADEQUATE PARKING

(3) POOR OVERNIGHT ACCOMMODATIONS

-- NON-COMPETITIVE FACILITY: (1) INADEQUATE SPACE FLEXIBILITY

(2) AGE

(3) APPEARANCE

UMH&C ALTERNATIVE GROWTH PROJECTIONS

.. THREE GROWTH PROJECTIONS MADE FOR 1980-1990 PERIOD

-- "A" LINE: SLOW TO MODERATE GROWTH

-- "B" LINE: STABILITY

-- "C" LINE: DECLINE

.. FACTORS UNDERLYING PROJECTIONS

-- PERSONAL INTERVIEWS WITH CLINICAL CHIEFS

-- TREND ANALYSIS OF ADMISSIONS, PATIENT DAYS, AND AVERAGE LENGTH OF STAY

-- SUBJECTIVE ESTIMATES OF INTERNAL/EXTERNAL THREATS

.. PROJECTIONS BASED ON ASSUMPTION THAT RENEWAL PROJECT COMPLETED

THE "A" LINE--SLOW TO MODERATE GROWTH

BASED ON: ..EXPECTATIONS OF GROWTH EXPRESSED BY CLINICAL CHIEFS

10 YR. CHANGE: ..15% INCREASE IN ADMISSIONS

AREAS OF CHANGE: ..INCREASE CARE AT ALL LEVELS

LIKELIHOOD OF OCCURRENCE: LOW

THREATS: ..GEO-PSYCHOLOGICAL BARRIERS

..PRICE

..OTHER HOSPITAL SUBSPECIALTIES GROW, AFFECTING UMH&C TERTIARY DEMAND

..CURRENT SIZE (# BEDS) OF UMH&C INADEQUATE FOR GROWTH

..INCREASE DEMAND: FURTHER PROBLEMS IN OPER. ROOM/NURSING

THE "B" LINE--STABILITY

BASED ON: ..ANALYSIS OF RECENT TRENDS

10 YR. CHANGE: ..REMAIN THE SAME

AREAS OF CHANGE: ..DECREASE IN LESS SPECIALIZED CARE
..INCREASE IN MORE HIGHLY SPECIALIZED CARE
..LENGTH OF STAY INCREASE: SLIGHT PAT. DAYS INCREASE

LIKELIHOOD OF OCCURRENCE: MEDIUM

REASONS FOR OCCURRENCE:

.. REPRESENTS MOVEMENT TOWARD TECHNOLOGICAL STRENGTH
.. SERVICES REBUILDING, REFFERAL NETWORKS STRENGTHENED
.. ABILITY TO REMAIN COMPETITIVE AT CURRENT LEVELS OF SERVICE

THREATS: .. CONTINUED HMO GROWTH CUTS INTO LESS SPECIALIZED CASES
.. INABILITY TO ADJUST PRICES TO COMPETITIVE LEVELS
.. DIFFICULTY IN SHIFTING TO HIGHER LEVEL PATIENT ACUITY DUE TO NURSING SHORTAGE

THE "C" LINE--DECLINE

BASED ON: ..POTENTIAL CHANGES IN EXTERNAL ENVIRONMENT

10 YR. CHANGE: ..15% DECLINE IN ADMISSIONS

AREAS OF CHANGE: ..DECLINE IN LESS SPECIALIZED CARE
..INCREASING COMPETITION FOR HIGHLY SPECIALIZED CASES
..AVERAGE LENGTH OF STAY INCREASES

LIKELIHOOD OF OCCURRENCE: MEDIUM

REASONS FOR OCCURRENCE:

.. FURTHER GROWTH IN HMO MARKET ERODES LESS SPECIALIZED CASES

.. SUBSPECIALISTS AT OTHER HOSPITALS INCREASE COMPETITION AT ALL LEVELS BUT TRULY UNIQUE CLINICAL AREAS

.. OTHER HOSPITALS DEVELOP CONSUMER-RESPONSIVE SERV.

.. CONSTRUCTION OF UHRP AND RESPONSES TO NURSING SHORTAGE WILL WIDEN COST/PRICE GAP WITH OTHER HOSPITALS